

Chairman's Statement
**“Housing-Related Programs for the Poor: Can We Be Sure That
Federal Assistance Is Getting To Those Who Need It Most?”**

September 27, 2005

Everyone was stunned by the carnage that Hurricane Katrina left in her wake. Now we have Hurricane Rita to clean up after as well. Hundreds of thousands have been displaced from their homes, and may remain so for months on end. Our Federal housing assistance programs are going to be stretched to their limits to try to help all those in need.

That is why the financial management of these programs *matters*. Every penny that is misspent is a penny that could have been helping a family in distress. Every overpayment means someone goes without help. Every underpayment means a family doesn't get all the help they could have gotten.

Some have argued that these programs are too important – too valuable to the country, especially during the hurricane recovery – to open up the books and start scrutinizing. I disagree.

The true measure of compassion for the scores of newly homeless families is to ensure appropriate stewardship of the dollars spent by these critical programs.

Taxpayers have donated hundreds of millions to the recovery efforts. But they have also contributed by funding Federal agencies represented here today, who will be on the front lines of disaster assistance. Real compassion demands that Congress and the Executive Branch guard their trust with integrity and humility, ensuring that *every* dollar is spent helping people and not being lost in a bureaucratic morass.

In fiscal year 2003, seventy-five percent of HUD's total expenditures went to assist low-income individuals afford decent rental housing. This figure totaled approximately \$28 billion to

reach 5 million low-income tenants. HUD also paid an estimated \$1.4 billion in improper payments in fiscal year 2003. \$896 million of these were made in overpayments, while \$519 million dollars never went to the intended recipient.

What that means is that the *net amount of taxpayer dollars lost was \$377* million just that year alone. This money could have been used to provide an additional 56,000 needy families with housing assistance. It is inexcusable that the federal government could have helped an extra 56,000 struggling families, had HUD performed proper oversight of its voucher program.

HUD's Section 8 program alone had an improper payment rate of 6.3 percent-nearly *twice* the amount of the government-wide error rate (3.9 percent). HUD's low income public housing programs (different from Section 8) had an error rate of 10.4 percent. That means that OVER TEN PERCENT of the payments made by the program were WRONG.

A ten percent error rate for government payments is totally unacceptable. Of the 17 federal agencies that are reporting improper payment information, the average government-wide rate for fiscal year 2004 was 3.9 percent, which I find deplorable enough. HUD's public housing numbers are at least double the government-wide rate or more.

One huge program at HUD, the Community Development Block Grant Program, isn't even reporting its improper payments yet, so heaven only knows what we'll find when those books are opened. This is the same program that the Louisiana delegation is asking us to increase by \$50 *billion* – just for that one state! That's **10 times what the entire country** gets for this program. If the rates of errors made in that program are anything like the rest of HUD, the taxpayers are going to get robbed if we increase funding by that amount.

The taxpayers deserve better.

The private sector has no tolerance for improper payments. Any number above zero is considered an improper payment in a business or corporation. I have made it a top priority to see that agencies are complying with this key mechanism (the Improper Payments Information Act) used to locate where payments made by federal agencies are unjustified. I would also reiterate that **NO AGENCY IS EXEMPT FROM THIS ACT**. If I have to invite agencies to testify one-by-one to tell me what they are doing to comply with the law to institute fiscal integrity of payments, then that is what I will do.

I want to note that HUD is aware of this problem and has taken steps to try to fix it. That is commendable and a necessary first step.

Today's hearing will also look at the financial integrity of the Low Income Heating Energy Assistance Program-or LIHEAP Program- at the Department of Health and Human Services. LIHEAP was established in 1981 as a block grant program under which the federal government gives states and other jurisdictions annual grants to operate home energy assistance programs for low-income families. Over the past decade, funding for this program has increased dramatically, due to increased fuel and energy costs. With soaring fuel costs, the LIHEAP program will be particularly critical in assisting low-income individuals with energy and heating costs this year.

Hearings on Improper Payments may not seem as glamorous as other topics. If people in Oklahoma would go to jail for not paying their taxes, then their elected officials better be good stewards of their hard-earned dollars.

I look forward to hearing the status of efforts to eliminate improper payments at HUD and efforts to restore financial integrity in the LIHEAP program. I hope we can find a way to see that payments are made with integrity and accountability. Thank you to each of our witnesses for appearing today.